



THE CAPSTONE CONFERENCE
Fresh-Thinking on Health Care Reform

What Is Needed? What Is Likely? Why The Chasm?

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What is wanted?

- Cover everyone for basic care
- Contain costs
 - a) More cost-effective care
 - b) Slow the rate of growth of health expenditures
- Improve quality of care



Coverage: What is needed?

The uninsured are:

- a) Too poor or too sick to acquire coverage, or
- b) Unwilling to acquire coverage

Two necessary and sufficient conditions to cover everyone:

- a) Subsidies for those unable
- b) Compulsion for those unwilling



Costs: What is needed?

Lower administrative costs

- Develop a simple method of funding basic care for all
- Simplify subsidization of the poor and the sick
- Simplify payments to providers



Costs: What is needed?

More cost-effective care

- Information
- Infrastructure
- Incentives



Costs: What is needed?

- Fixed budgets for basic coverage instead of open-ended funding
- Independent Institute for Technology and Outcomes Assessment

Direct effect on practice

Indirect effect on bio-medical innovation



Quality: What is needed?

- More coordination of care
 - Between in-patient and outpatient care
 - Among specialists
- Every patient has access to an accountable care organization



What Is Likely ? ? ?



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Possibilities

- A mandate on individuals to obtain coverage
- More income-tested subsidies
- A requirement that insurance companies “community rate” individuals



Possibilities

- A government “connector”
- A cap on tax-free employer contributions to health insurance
- Reform of payments to providers

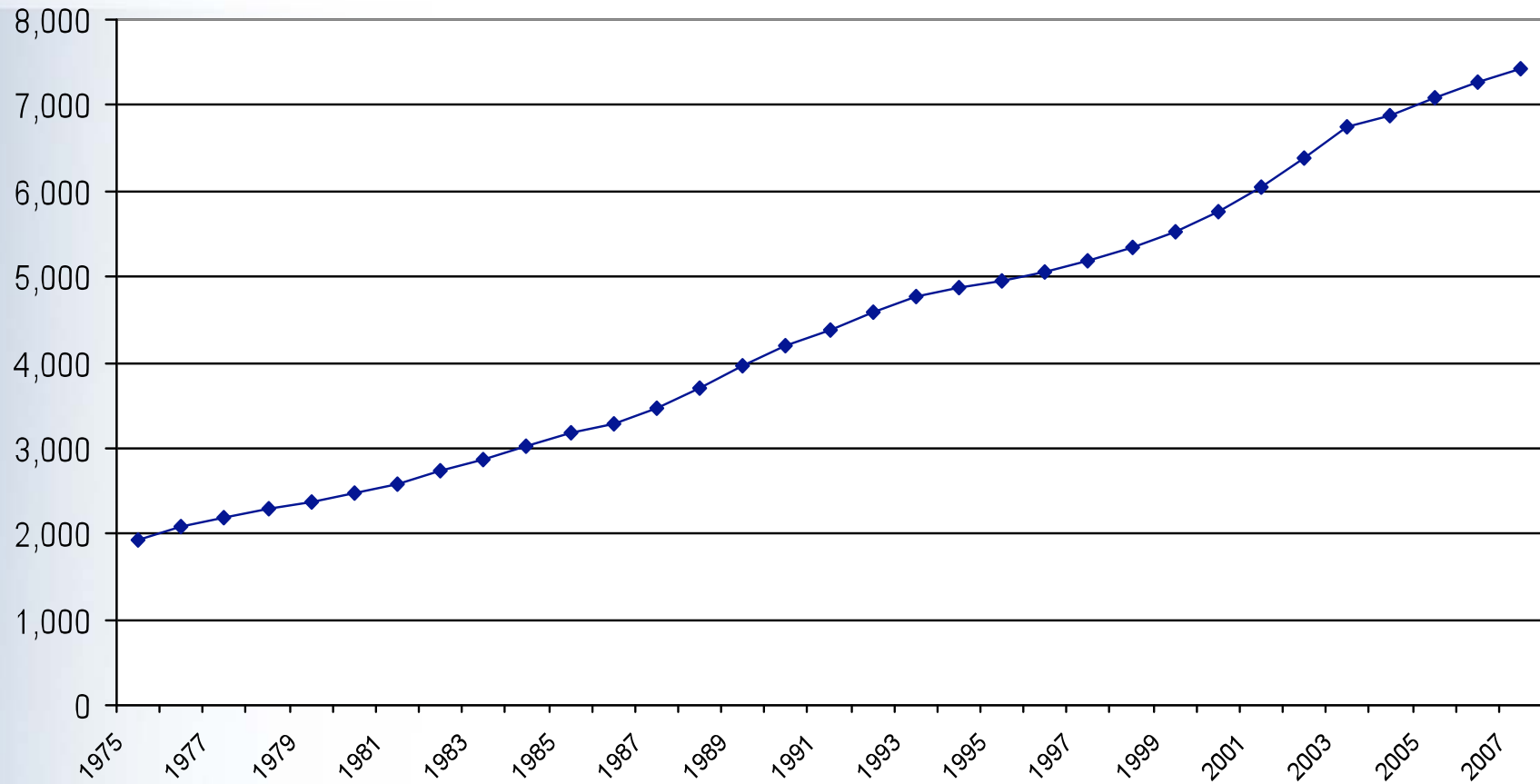


Possibilities

- A government health insurance company
- Lots of talk about “bending the curve”



US Health Expenditures Per Capita (2007 dollars)



“The principle challenge to achieving sustainable long-run fiscal policy turns out to be reducing the rate of growth of health spending – all health spending, not just the federal or the federal/state portion.”

--**Alice Rivlin** (2007), former Director of CBO,
former Director of OMB, former Vice-Chair
Federal Reserve Board



My Guess

- Intense pressure to pass “something”
- “Something” will not come close to what is needed
- Other events (often unrelated) could significantly increase (or decrease) prospects for reform



Favorable Events:

Flu pandemic

Senator Kennedy's death

Sharp rise in number of unemployed



Events that might delay or disrupt legislation:

A battle over Supreme Court nominee

A battle over more aid for banks

A battle over Rangel's ethic problems

A crisis in Pakistan-Afghanistan-Iraq-Iran

China refusing to buy more U.S. bonds



Why The Chasm?



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- Many individuals and organizations prefer the status quo



Opponents of Reform

Insurance companies and health plans

Drug companies

Manufacturers of equipment, devices, and supplies

High income employees who get top of the line health insurance tax free

Ordinary workers who think their health insurance is a gift from their employer rather than an offset to wage increases

Political conservatives who are ideologically opposed to any role for government



- Machiavelli's Law of Reform



“The reformer has enemies in all those who profit from the old order and only lukewarm defenders in all those who would profit from the new order.”

Machievelli, The Prince

“All experience hath shown that mankind are disposed to suffer, while evils are sufferable than to right themselves by abolishing the forms to which they are accustomed.”

Thomas Jefferson, The Declaration of Independence



- The U.S. political system
- Disagreement among reformers



In Summary



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Politically unfeasible until they were:

Emancipation of the slaves

Creation of a strong, independent central bank

Replacement of gold standard with fluctuating foreign exchange rates

More than \$1 trillion to bailout financial institutions



“Changes are Necessary, but what they Ought to be, what they will be, and how, and when to be produced are arduous questions.”

--**John Jay** (1787), on eve of the
Constitutional Convention

